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Report of the Multi-year Expert Meeting on Trade, Services and Development on its sixth session

Held at the Palais des Nations, Geneva, 7 and 8 May 2018

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Introduction

1. The sixth session of the Multi-year Expert Meeting on Trade, Services and Development was held at the Palais des Nations in Geneva, Switzerland, on 7 and 8 May 2018. The aim of the Expert Meeting was to discuss trade in services, in particular those related to water and sanitation, energy and food-related logistics, with a view to achieving inclusive and sustainable development as set out in the 2030 Agenda for Sustainable Development.

I. Chair's summary

A. Opening plenary

2. In her opening statement, the Deputy Secretary-General of UNCTAD said that the Expert Meeting had been convened at a particularly timely moment, as it focused on three of the six Sustainable Development Goals that would be reviewed at the United Nations high-level political forum on sustainable development in New York in July 2018. These were Goal 6 on water, Goal 7 on energy and Goal 12 on ensuring sustainable consumption and production patterns, including reducing food losses along production and supply chains. The Expert Meeting could thus contribute to informing and preparing member States for this review. Given the large gap between the supply of and the demand for water and sanitation, energy services and logistics services that were necessary to reduce food waste in developed countries and food losses in developing countries and in the least developed countries, she encouraged the participants to suggest concrete policy recommendations and best practices, particularly on how to leverage the role of trade in services in achieving the three Goals.

3. Introducing the background note of the secretariat, entitled "Trade in services for inclusive and sustainable development: Water and sanitation, energy and food-related logistics" (TD/B/C.I/MEM.4/17), the Director a.i. of the Division on International Trade in Goods and Services, and Commodities underlined the increasingly important role of international trade in the provision of essential services. For example, although logistics services were not specifically mentioned in Goal 12, quality logistics services could help reduce food losses along production and supply chains. The lack of stand-alone classification for statistics in those services made it difficult to obtain direct trade data and conduct evidence-based analysis. Further, the contribution of trade should be factored into the review of progress towards achieving the relevant Goals.

B. Trade in services for inclusive and sustainable development

(Agenda item 3)

Trade in water and sanitation services and Sustainable Development Goal 6

4. The challenges in achieving Goal 6 were enormous. The data presented by one participant showed that only one in five countries below the 95 per cent coverage mark was on track to achieve universal basic water services by 2030. The main issue for many countries remained ensuring water quality and drinking water standards. The challenge for sanitation services was even greater, as the corresponding proportion was 1 in 10 countries. Disaggregated data also revealed regional inequalities within countries. For example, some regions in Panama had almost no water and sanitation services, whereas others were close to full coverage.

5. Infrastructure was considered essential to support water and sanitation services. There was a significant growth of piped water in rural areas. In urban areas, despite higher coverage of water services, providers were barely keeping up with population growth. Most importantly, piped systems were ineffective in many countries, showing a need for increasing professionalization, including by introducing foreign professionals. There was

also a shortage of investment in sanitation infrastructure. There was little progress in establishing sewer connections, stalled at about 60 per cent coverage in urban areas of developing countries. This created an opportunity for public–private partnerships, including with foreign companies, underscoring the potential of international provision of sanitation services. The importance of international cooperation to ensure availability and sustainable management of water and sanitation for all was clearly recognized under Goal 6.

6. Most countries had some mix of public and private provision of water and sanitations services, albeit to varying degrees. For example, in Chile, this sector mainly consisted of private firms, whereas in Algeria, private sector involvement was limited.

7. The transition in Chile from a State-owned water system to one with a mix of public and private water provision was a success, though some challenges remained. In 1977, Chile carried out a reform to consolidate the previously fragmented water and sanitation system, where different operators operated in different regions by allowing two State-owned enterprises to operate independently to serve the two largest cities, Santiago and Valparaiso. As a result, the access rates had increased substantially. Further, Chile had introduced a new law in 1998, which allowed for private participation in the distribution of water, sewage services and wastewater management services. An independent regulatory agency was also created, which determined water prices and devised a subsidy scheme for the poorest. To assess the impact of privatization, the regulator took an experimental approach by allowing private investments in the five largest enterprises active in water services. It also took measures to avoid market concentration. These reforms led to full water coverage – and sewerage and wastewater treatment coverage were not far from that target. The entire reform process had been gradual, with an orderly sequencing of reforms and the existence of an adequate regulatory framework key factors contributing to success.

8. In Algeria, foreign companies participated in the provision of water and sanitation through management contracts granted by the regulator. To ensure access to drinking water and sanitation, Algeria has been implementing a strategy and related policies since the early 2000s, focusing mainly on the development of water infrastructure and institutional reforms. While the financial and administrative management of water and sanitation lay with the State and municipalities, an independent regulatory authority regulated the provision of water distribution and access to sanitation through concessions and delegation by the State and municipalities to public enterprises and through management contract to foreign firms. About 98 per cent of the population was now connected to safe drinking water. Sanitation coverage and connection to modern sewage system reached 90 per cent in 2017, compared with 72 per cent in 1999.

9. Liberalization of water and sanitation services tended to be a low priority in multilateral and regional trade negotiations. For example, this sector was not on the services negotiating agenda of the Southern African Development Community. One panellist explained how services liberalization under the General Agreement on Trade in Services (GATS) could contribute to the achievement of Goal 6. Over the years, the role of the public and private sectors had evolved in the provision of water services; however, some Governments had become wary of privatizing and liberalizing water services, owing to failed water ventures and investor–State disputes. Nevertheless, countries could tailor GATS commitments to national policy objectives, such as promoting investment flows to the water sector. It might be useful for Members of the World Trade Organization to develop a new category of water for human use in addition to the environmental services covered by the existing classification. In the panellist's view, the opt-in and progressive nature of liberalization under GATS, if allied with a clear classification for water services, would provide greater certainty for Governments to pursue increased access to water through trade liberalization at the pace and in a manner that best fit their national development objectives. There was merit in distinguishing between water security and water ownership on one hand and the improvement of water supply infrastructure on the other. While the former was politically sensitive, the latter might be less so, allowing a space for more trade cooperation.

10. Several participants suggested that trade commitments should not lead to a situation where a Government's policy space to regulate the price of water services and to subsidize these services was limited. Commitments in trade negotiations should be progressive and

coherent with a country's domestic reforms, as in the example of Chile. Given the sensitivities concerning water services, such as water security, water rights and ownership, as well as potential conflicts between communities and countries, it was useful to focus not only on the trade dimension but also on what could be achieved through regional and international cooperation. The importance of the interlinkages between the Sustainable Development Goals was also highlighted, including between Goal 2 (end hunger, achieve food security and improved nutrition, and promote sustainable agriculture) and Goal 6 (ensure availability and sustainable management of water and sanitation for all). The different angles from which water was examined (as a human right, a shared resource or a service) and many objectives that Governments pursued (for example, universal access to drinking water and sanitation, water security, socioeconomic development and environmental protection) should be considered in a holistic and integrated manner.

Trade in energy services and Sustainable Development Goal 7

11. Many participants shared the view that energy services were a driver for development and necessary for achieving other Sustainable Development Goals. However, energy access was still a challenge, especially for a large number of rural populations in many developing countries which lacked access to energy services. One panellist said that much discussion on energy at the international level placed a strong emphasis on electricity generation and provision, as opposed to other energy needs, such as clean cooking fuels, which had a strong gender dimension. Further, a significant portion of energy finance went towards energy efficiency and large projects, often forgoing rural areas and women. Therefore, it was essential to adopt and implement laws stipulating universal access to energy services in line with Goal 7 to guide policymaking. The importance of the need for enforceable laws and regulations was often subsumed, even though this was conducive to attracting foreign investment, which required a stable and predictable environment. Legal frameworks and institutional arrangements were prerequisites for achieving Goal 7, among others.

12. It was important to consider the environmental impacts of energy consumption. In addition, renewable energy and energy efficiency should be factored into trade cooperation in energy services.

13. Several participants considered trade in energy services to be a useful contributor to achieving Goal 7, as countries with energy deficits could source energy from other countries and benefit from the most competitive prices and access to diversified sources of energy, thus improving availability, affordability and reliability.

14. Participants shared a number of regional experiences. In the Southern Common Market, also known as MERCOSUR, Paraguay exported power, which it intended to increase, to Argentina and Brazil. One of the energy policy objectives of Paraguay was to consolidate its position as the axis of regional energy integration in MERCOSUR. Domestically, electric energy services were provided by a public monopoly, the National Electricity Administration. All households had access to electricity, and low-income families could benefit from special rates (25 per cent of the usual rate).

15. The experience of the European Union demonstrated the importance of having three-dimensional regional energy cooperation, that is, facilitating cross-border energy trade, enhancing cooperation among independent regulators and energy operators, and promoting mutual support in investment in energy infrastructures. Energy was a shared competency between European Union member States and the European Commission: Members had sovereignty over the sources of their energy mix under the principle of solidarity, whereby countries could count on each other to cover gaps in supply in cases of emergency; the European Union took supranational measures to achieve energy security, efficiency and cross-border networks, pooling energy resources based on complementarity. Integrating energy markets to boost efficiency and opening up competition to benefit consumers was expected to yield 40 to 70 billion euros by 2030. Independent national regulators had been cooperating since 2000 through the Council of European Energy Regulators to exchange information and best practices. Since 2011, they had been cooperating through the Agency for the Cooperation of European Regulators to coordinate regulatory tasks and cross-border issues and provide guidelines for drafting common

network codes by European networks of transmission system operators. Infrastructure was being furthered across Europe. Every two years, the European Union adopted a list of projects of common interest that were fundamental to integrate European energy markets. Costs were redistributed between countries that provided power and those that consumed it. The goal was to achieve an interconnection of 10 per cent in 2020 and 15 per cent in 2030 and to reduce price differentials across members. If a price difference was greater than 2 euros per megawatt-hour, then interconnectivity needed to be improved and infrastructure built. Similarly, where the ability to import was lower than 30 per cent of network load at consumption peak, the operators must envisage construction infrastructure for importing energy. Energy integration was especially important for renewable energy, which was intermittent and required storage.

16. In Africa, forecasts to 2040 revealed increased pressure to achieve Goal 7, as the population was expected to double, urbanization to increase and the size of the middle class to triple. The power supply required to meet a 60 per cent level of energy access by 2040 would be six times the current level of generation. This implied substantial investment needs in power generation and transmission to meet projected demand. To address this challenge, master plans for transmission networks were developed or updated for the regions of Southern, Eastern, Central, West and North Africa to create regional energy trade markets and eventually connect all African power utilities in each region to form a continental energy trade market.

17. There were many challenges in developing regional and continental energy trade markets in Africa. Existing links between countries were of limited capacity, as not all countries within a region were fully connected with one grid. Regional networks were at various stages of development, with different degrees of resilience to instability. There was limited excess energy available for trade. Apart from the Southern African Power Pool, which operated in the Southern African Development Community with auctions, there were no well-developed regional energy markets with clear trading rules, and regulatory frameworks were not harmonized. To develop a vibrant energy trade market in Africa, it was essential to set up a framework for a harmonized, clear and transparent set of rules, addressing regulatory diversity. This would apply, for example, to the following: transmission tariff methodology and pricing principles, oversight and settling of transactions, technical standards for metering, and dispute settlement and arbitration. Further, it would be critical to open the energy trade market to private sector participation, envisaging efficiency and competitiveness, according to each country's institutional capabilities. It would be necessary to establish coordination centres to manage energy trade volumes among trading members. The facilitation of the movement of people and capital would also be a key element of creating an energy trade market in Africa.

18. In Asia, cross-border power supply services through power connectivity were being used as a means to achieve Goal 7 in the region. Many countries had abundant natural energy resources such as hydropower. Yet many people still did not have access to electricity, and electricity consumption per capita remained low. This created an opportunity for cross-border power connectivity. For instance, the Lao People's Democratic Republic had 33 power grid interconnections with neighbouring countries and had become a net power exporter. In Mongolia, 20 per cent of electrical energy was imported from China and the Russian Federation. Such power trade helped the country meet the power supply needs of residents in the northern border areas and those of mineral projects in the south of the country.

19. The experience of energy cooperation in Asia showed that the following steps should be taken to tap the potential and opportunities of cross-border energy connectivity and trade:

(a) Enhance policy dialogues among the countries concerned;

(b) Establish regional electricity trading and pricing mechanisms;

(c) Harmonize grid construction and operation standards;

(d) Conduct joint research on energy connectivity planning in line with countries' development objectives;

(e) Set up supporting institutions, such as the Regional Power Trade Coordination Committee in the Greater Mekong Subregion (Cambodia, China, the Lao People's Democratic Republic, Myanmar, Thailand and Viet Nam)

(f) Mobilize enterprises engaged in power supply, financial services and consultancy services.

20. As energy services were increasingly sophisticated and technology intensive, which often went beyond the capacity of developing countries, these countries needed to import both physical capital (technology and equipment) and human capital (experts, technicians researchers and managers). It was important to provide international support to developing countries and the least developed countries in developing electricity infrastructure, power transmission and distribution and renewable energy. For example, the Republic of Korea had been providing official development assistance to the least developed countries, including Ethiopia, Mozambique and the United Republic of Tanzania. In addition, China had been providing assistance to these countries to improve energy services through its Belt and Road initiative.

21. One expert wondered about the potential risks in regional energy integration, such as the loss of national sovereignty to regional regulatory agencies. Yet national sovereignty, while still a concern, had not prevented regional regulatory cooperation, as it was essential to ensure the proper functioning of a regional power market.

Trade in logistics services and reduction in food loss, and Sustainable Development Goal 12

22. Goal 12 called for sustainable consumption and production patterns. Food-related production and consumption played a key role in this regard. It required the implementation of strategies that integrated the three main pillars of sustainability (economic, social and environmental) to pursue economic efficiency and competitiveness, social inclusion and environmental protection by promoting green logistics. It also required a whole-of-supply-chain approach, encompassing impacts by production, households and transport.

23. Logistics services explained an important part of the performance of the transport and distribution stages of the supply chain, which was confirmed by the example of the Southern African Development Community. The cost to import and export services in the Community was extremely high due to low logistics performance arising from issues such as the following:

(a) Route and cabotage restrictions;

(b) Road user charges;

(c) Vehicle standards diversity;

(d) Poor transport infrastructure;

(e) Integration of transport modes;

(f) Lengthy access time to ports, particularly in landlocked countries.

24. The resultant increased cost and time of delivery was of special importance to manage perishable food supply chains.

25. There was agreement among the participants that trade in logistics services could increase competition and that the provision of more efficient logistics services, with lower costs, higher quality and reduced delivery time, contributed to the reduction of food losses and hence the achievement of Goal 12.

26. Two panellists stressed the importance of having a favourable regulatory environment for logistics services. One suggestion was to allow firms, including foreign ones, to provide a combination of integrated services. Statistics showed that trade in agricultural products in terms of volume had outpaced merchandise trade. The causes of food loss could be found all along the value chain, from harvesting, to handling and storage, packaging, distribution and finally, consumption. Indeed, many firms had evolved from providing only one logistics service (for example, cargo handling, storage and

warehousing, freight forwarding or customs brokerage) to providing integrated services. Several key phases in the food value chain could benefit from better and more efficient logistics services, which drove the rapid growth of outsourcing of logistics services and third-party logistics services. The services trade restrictiveness index of the Organization for Economic Cooperation and Development showed that cargo-handling services faced the most restrictions, relating, among others, to access to terminals and cross-subsidization. Thus, improving the regulatory framework by removing some of the restrictions on trade in logistics could contribute to reducing food losses.

27. A related issue pertained to the mobility of transport crews, which was also essential for the timely delivery of goods and efficient supply chains. While air and maritime crews were granted preferential visa treatment, truck drivers were subject to burdensome visa procedures. Bilateral and regional cooperation might be the best means of dealing with this barrier. Another suggestion was that international trade negotiations and agreements could play an important role in facilitating trade in logistics by making commitments in services auxiliary to all modes of transport. The temporary movement of natural persons (mode 4) could also be facilitated through such trade negotiations.

28. One expert presented the case of Africa, where deficient infrastructure, distribution gaps, insufficient storage capacity and inventory management were among the factors leading to significant food losses. Therefore, the trans-African highway as a means of ensuring intraregional and interregional exchanges and linking Africa with the rest of the world through connections of the ports held great promise in improving trade in food-related logistics and related exporting opportunities. The following measures, for example, could help in this regard:

(a) Developing safe and efficient transport infrastructure;

(b) Concluding regional transit agreements to foster cooperation and partnerships in food-related logistics;

(c) Enhancing the seamless movement of food across trade routes through smart corridors and the use of new technologies and big data management;

(d) Establishing national or regional transport observatories;

(e) Unlocking linkages between centres of production and distribution.

29. The speaker also suggested that trade logistics should be used to address not only the accessibility of food, but its affordability as well, as a means of alleviating poverty and focusing on intraregional food trade and impacts on women in cross-border trade in food and in rural trade.

30. In China, improvements in logistics services had contributed to the reduction of food shortages. Many logistics companies that were specialized in food and beverage delivery were growing rapidly in that country. To foster growth in logistics services, China had removed all restrictions on business-related logistics, including trade-related logistics, and had encouraged the development of integrated logistics services. Foreign companies were allowed to be wholly owned and were free to form joint ventures. For example, the United Parcel Service had entered a partnership with Shunfeng Express, a private Chinese company. Integrating information communications technology and using leading technologies, such as unmanned warehouses, and sorting and logistics robots, had enabled Chinese logistics services to become more efficient and sophisticated. However, in the view of one expert, there was a need for low-technology solutions to meet the food logistics needs of rural communities that had no roads.

C. Conclusion

Recommendations for the way forward

31. The following recommendations were suggested by the Expert Meeting:

(a) Availability, affordability, reliability and sustainability of the services reviewed is critical to achieving the Sustainable Development Goals for all, including for the poorest and most vulnerable countries and communities in developing countries, to ensure that no one is left behind;

(b) Strong legal and regulatory frameworks and institutional arrangements are necessary conditions to guide and ensure the development of the services reviewed, such as ensuring universal access, adequate and decent supply of water, and other related policy goals;

(c) The financing needs related to building infrastructure for water and sanitation, energy and logistics networks are enormous, as shown by the example provided by the New Partnership for Africa's Development regarding Africa's need to connect electricity across the whole continent, and will require private sector investment to complement public sector investment;

(d) Water security and ownership is a legitimate concern in many countries, as it also relates to a basic human right and thus requires careful and calibrated approaches, while improving water supply to increase access and improving sanitation are less politically sensitive issues and can be addressed, including through trade cooperation;

(e) Energy and energy trade are important for sustained economic growth and poverty reduction. However, rural and poor areas and the gender dimension (all segments of the population), including through the provision of clean and efficient cooking stoves, should be taken into consideration;

(f) Trade in energy services might help overcome national security issues through binding regional agreements;

(g) Regulators in the both the energy sector and the water and sanitation sector should be independent and free from political interference to allow for the development of a stable and predictable regulatory framework. Cooperation among regulators and power operators is important to integrate energy markets regionally, as shown in examples from Latin America;

(h) Developing countries need to import capital and human capital (skills and expertise) to develop their energy sectors;

(i) Trade in logistics services could increase competition and result in the provision of more efficient services, with lower costs and higher quality and reduced delivery time;

(j) International trade negotiations and agreements, and mutual recognition agreements, could also enhance trade facilitation by reducing paper documentation and the need to duplicate data entry;

(k) Countries should take a holistic approach covering different modes and segments in improving integrated logistics performance;

(l) Strengthening water and sanitation services, and energy and logistics services also requires a strong focus on improving the means of implementation (Goal 17);

(m) South–South and triangular cooperation in the provision of water and sanitation services, energy services and logistics services could be pursued, as these are mutually beneficial to the countries involved;

(n) UNCTAD should increase cooperation and collaboration with other international organizations on trade in services with a view to supporting developing countries in their efforts to meet the Sustainable Development Goals.

II. Organizational matters

A. Election of officers

(Agenda item 1)

32. At its opening plenary meeting on 7 May 2018, the Multi-year Expert Meeting on Trade, Service and Development elected Mr. Salim Baddoura (Lebanon) as its Chair and Mr. Ryder Thomas (United Kingdom of Great Britain and Northern Ireland) as its Vice-Chair-cum-Rapporteur.

B. Adoption of the agenda and organization of work

(Agenda item 2)

33. Also at its opening plenary, the Expert Meeting adopted the provisional agenda for the session (TD/B/C.I/MEM.4/16), as follows:

1. Election of officers;
2. Adoption of the agenda and organization of work;
3. Trade in services for inclusive and sustainable development;
4. Adoption of the report of the Expert Meeting on its sixth session.

C. Outcome of the session

34. Also at its opening plenary, the Expert Meeting agreed that the Chair should summarize the discussions, which would be included in the post-session report for submission to the Trade and Development Commission at its next session, to be held in September 2018.

D. Adoption of the report of the Expert Meeting on its sixth session

(Agenda item 4)

35. At its closing plenary, on 8 May 2018, the Multi-year Expert Meeting authorized the Vice-Chair-cum-Rapporteur to finalize the report after the conclusion of the session.

Annex

Attendance*

1. Representatives of the following Experts attended the session:

Algeria
Angola
Bahrain
Benin
Brazil
Brunei Darussalam
Burkina Faso
Canada
China
Congo
Cuba
Côte d'Ivoire
Democratic Republic of the Congo
Djibouti
Dominican Republic
Egypt
India
Jordan
Kazakhstan
Kenya
Kuwait
Lebanon
Madagascar
Mauritius
Mexico
Morocco
Nepal
Nigeria
Paraguay
Spain
Sri Lanka
Sudan
Sweden
Thailand
Trinidad and Tobago
Tunisia
Turkey
Uganda
Ukraine
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
Zimbabwe

2. Representatives of the following non-member observer State of UNCTAD attended the session:

State of Palestine

3. The following intergovernmental organizations were represented at the session:

African, Caribbean and Pacific Group of States
Organization for Economic Cooperation and Development
Organization of Islamic Cooperation
Pacific Islands Forum Secretariat
South Centre

4. The following United Nations organs, bodies and programmes were represented at the session:

International Trade Centre
United Nations Development Programme

* This attendance list contains registered participants. For the list of participants, see TD/B/C.I/MEM.4/INF.6.

5. The following specialized agencies and related organizations were represented at the session:

World Health Organization
World Trade Organization

6. The following non-governmental organizations were represented at the session:

General category

Association Africa 21
International Centre for Trade and Sustainable Development